

What's Yours, Mine, and Ours: Overcoming Intellectual Property Rights Issues

A CROSS-CUTTING STUDY



**Facilitating Private Sector Participation
and Expediting Deployment**

August 2000

Foreword

Dear Reader,

We have scanned the country and brought together the collective wisdom and expertise of transportation professionals implementing Intelligent Transportation Systems (ITS) projects across the United States. This information will prove helpful as you set out to plan, design, and deploy ITS in your communities.

This document is one in a series of products designed to help you provide ITS solutions that meet your local and regional transportation needs. The series contains a variety of formats to communicate with people at various levels within your organization and among your community stakeholders:

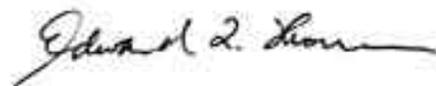
- **Benefits Brochures** let experienced community leaders explain in their own words how specific ITS technologies have benefited their areas;
- **Cross-Cutting Studies** examine various ITS approaches that can be taken to meet your community's goals;
- **Case Studies** provide in-depth coverage of specific approaches taken in real-life communities across the United States; and
- **Implementation Guides** serve as "how to" manuals to assist your project staff in the technical details of implementing ITS.

ITS has matured to the point that you are not alone as you move toward deployment. We have gained experience and are committed to providing our state and local partners with the knowledge they need to lead their communities into the next century.

The inside back cover contains details on the documents in this series, as well as sources to obtain additional information. We hope you find these documents useful tools for making important transportation infrastructure decisions.



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The Problem

When the private sector brings software or technology to an ITS test or model deployment and the software is further enhanced during that test or deployment, issues of intellectual property rights often arise. Is there a way to easily address the assignment of these rights?

Debate over the ownership and use of intellectual property developed jointly by the public and private sectors has caused delays in ITS deployment projects. While a fundamental business incentive of the private sector for investing in research and development is to use the results of research for profit, a primary incentive of the public sector is to protect the way in which public funds are spent.

Pierré Pretorius, former program manager for the **AZTech** Metropolitan Model Deployment Initiative in Phoenix, Arizona, explained, "Discussions over the allocation of intellectual property rights, among other contractual provisions, extended negotiations. Four months after the terms and conditions and a statement of work were completed, the first contract with a private sector participant was signed. Of particular concern was the ownership and control of pre-developed software brought to the project by private partners and then further developed in the course of the project."

The contract officer for **AZTech**, Renate Lewis, concurs: "Concerns of public and private sectors differed. Whereas the public sector participants focused on questions of ownership and control involving *enhanced* technologies, the private sector's concern was retaining ownership and control of *existing* technologies brought to the project."

In San Antonio, the focus of intellectual property rights issues was on finding a way to deal with issues that had never before presented themselves. District Staff Attorney and Counsel for the San Antonio and Laredo Districts of the Texas Department of Transportation (TxDOT), Debra Montez Felder, described the Intellectual property rights dilemma, "In pre-Model Deployment Initiative developments of the **TransGuide** facility and systems, TxDOT's Intellectual property rights provisions were comprehensive in nature, as had been historically standard for traditional

construction contracts. Software developers, after contracting with TxDOT under the bidding process, found the breadth of the provisions a challenge. Thereafter, TxDOT decided that appropriate contracts for the Model Deployment Initiative would contain detailed and current provisions on Intellectual property rights ownership consistent with recent state laws that provided TxDOT with wider latitude regarding Intellectual property rights issues."



The Solutions

Federal Government Policy

In order to resolve intellectual property rights concerns between the public and private sector participants in the *AZTech* Model Deployment Initiative, the parties requested that the Federal Highway Administration (FHWA) clarify the Federal Government's policy on proprietary information. As explained in a letter from FHWA's Associate Chief Counsel for General Law (shown in the appendix), the FHWA's use of the copyrightable or patentable products developed by the private sector is limited to FHWA projects with non-commercial purposes. In short, whatever the private sector representatives bring to the project remains their property. Software brought to the project and enhanced throughout the course of the project is federal property, although the private sector representatives retain titles to the patents for these products.

Representatives from the *AZTech* Model Deployment Initiative indicated that the letter from the FHWA counsel was essential to resolving intellectual property rights issues relative to software developed during the course of the project. Lewis said, "The letter from FHWA counsel clarified the policy on the FHWA's use of enhanced technologies developed with federal funds. Included in all contracts between the public and private sectors, the letter resolved concerns of both sectors."

Representatives from the AZTech and TransGuide Model Deployment Initiatives took creative approaches to resolving their intellectual property rights issues. They successfully applied various remedies to resolve questions of ownership of software and technology developed or enhanced during the course of the project.



The Solutions

Licensing Agreements

Using the FHWA letter as a guide, Lewis developed two licensing agreements, one for preexisting technologies and privately funded developments, and one for hardware and software developed during the course of the Model Deployment Initiative using public funds. The license for preexisting technologies and developments allows public sector participants to make limited use of preexisting products. The private sector firm grants a “non-transferable, non-exclusive five-year license to use the software, data and/or documentation...solely for use on the AZTech Model Deployment Initiative.” The license for products developed during the course of the Model Deployment Initiative grants the public sector “royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use...the federal government funded software, data, and/or documentation...solely for official federal government purposes.”

Intellectual Property Manual

To address the issues of intellectual property rights within its agency, TxDOT’s management established an Intellectual Property Committee at its Austin Headquarters. This committee evaluated TxDOT’s needs, made recommendations, and issued guidance to clarify TxDOT’s policy on the ownership and use of intellectual property developed and used on projects funded by TxDOT. This guidance provides agency standards regarding TxDOT ownership of intellectual property that is widely accessible to employees in an electronic format. Further, the standards are incorporated into requests for proposals or other agency contracting processes.



The Benefits

In both the *AZTech* and *TransGuide* Model Deployment Initiatives, questions of intellectual property extended project negotiations. Only when these questions were answered were the project participants able to proceed with the business of deploying their systems. Resolving these issues allowed project participants to spend time on technical, rather than policy and procedural issues.

Pretorius indicated that the first *AZTech* contract with an independent service provider was executed quickly once the FHWA letter was received and the two licensing agreements were written. The next contract was signed 10 days later. The third contract was signed two weeks later. Once these contracts were signed, project participants were able to focus on the project and move forward.



Felder describes the influence of the intellectual property rights guidelines on the *TransGuide* Model Deployment Initiative, "TxDOT guidance regarding Intellectual property rights issues was reviewed and approved by the Texas Transportation Commission. This guidance is incorporated into an agency manual and requests for proposals as appropriate. The result is that interested private sector companies seeking to do business with TxDOT are aware of our existing Intellectual property rights policies or standards. These companies can thereafter incorporate their understanding of them into their proposals and a project's life cycle."

The benefits of resolving intellectual property rights issues are simple: once these issues have been overcome, participants in ITS projects are better able to concentrate on the design, development, and implementation of ITS.

Conclusions

IPR issues are some of the most pervasive and frequently cited obstacles to ITS. Although expending the time and effort required to resolve these issues is not the path of least resistance, making this effort is the path to success for ITS.

Once on this path, ITS developers can move forward with their programs, secure in the knowledge that that a potential major obstacle to success has been overcome.

Since the beginning of the ITS Program, the U.S. DOT has encouraged the participation of the private sector. On the other hand, some federal intellectual property rules governing ownership and access to intellectual property have tended to discourage the private sector from investing in U.S. DOT-supported activities. However, the Transportation Equity Act for the 21st Century includes new research and technology initiatives. These initiatives give U.S. DOT operating agencies greater flexibility to negotiate terms and conditions for private sector participation, such as those involving ownership and access to intellectual property, than is available under other research and capital programs.

One of these is the Joint Partnership Program for Deployment of Innovation described in the Federal Register of October 2, 1998. Under this program, the Federal Transit Administration has been authorized to enter into grants, contracts, cooperative agreements, and other agreements, with competitively selected consortia to promote the early deployment of innovation in mass transportation services, management operational practices, or technology that has broad applicability. Under this program, competitively selected consortia will share costs, risks, and rewards of early deployment of innovation in the transit environment.

The solicitation of Federal Government policy, development of licensing agreements, creation of an intellectual property manual, and the creation of more flexible programs illustrate that intellectual property rights issues do not represent impenetrable barriers to ITS tests and deployments. Whether applied individually, in combination, or used as an impetus to spark other creative approaches to dealing with intellectual property rights issues, the success of these remedies shows that it is possible to resolve these issues before they hinder an ITS test or deployment.

There are several documents in the Electronic Document Library (EDL), including this one, that discuss the issue of assigning intellectual property rights:

- *Successful Approaches to Deploying a Metropolitan Intelligent Transportation System*, (EDL #8483)
- *The Road to Successful ITS Software Acquisition: Volumes I and II*, (EDL #4130 and 4131)
- *ITS Procurement Resource Guide: Innovative Contracting Practices for ITS*, (EDL #2859)
- *Intellectual Property Rights and the National IVHS Program*, (EDL #7069)
- *What's Yours, Mine, and Ours: Overcoming Intellectual Property Rights Issues — A Cross-Cutting Study*, (EDL #11486)



U.S. Department
of Transportation

Federal Highway
Administration

March 4, 1997

Ms. Renate Lewis
Contracts Manager
Maricopa County Department of Transportation
2901 West Durango Street
Phoenix, Arizona 85009

400 Seventh St., S.W.
Washington, D.C. 20590

In Reply
Refer to: HCC-32

Dear Ms. Lewis:

The purpose of this letter is to reiterate the Federal Highway Administration's ("FHWA" or "Agency") policy regarding the Government's retained license to copyrightable material and patentable inventions developed under an Intelligent Transportation Systems (ITS) Model Deployment Initiative (MDI) Partnership Agreement. This letter is provided as requested by the Maricopa County Department of Transportation which is negotiating a contractual arrangement with the Etak Corporation to provide software and/or other services as part of the Operation TimeSaver MDI Project in the Phoenix area. The FHWA's partnership agreement originates with the Arizona Department of Transportation (ADOT) with certain provisions "flowing down" or applicable to subgrantees of ADOT, here, Maricopa County. As requested by Maricopa County, a brief discussion of the FHWA's rights in copyright and patents is provided because both may be applicable to software developed with Federal assistance.

As explained below, the FHWA's use, if any, of the copyrightable or patentable products developed by Etak for the Operations TimeSaver ITS MDI Project would be limited to Agency, non-commercial purposes, only.

FHWA's Rights in Copyrightable Material Developed with Federal Assistance

The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, codified at 49 C.F.R. Part 18 and often referred to as the Common Rule, provides regulations and guidelines for Federal agencies to follow when awarding grants and cooperative agreements to state and local governments. The Common Rule at 49 C.F.R. § 18.34 provides standard language detailing the Government's rights in copyrightable works developed with Federal assistance. This language, included in the FHWA's ITS MDI Partnership Agreements with the states, provides the Government with "a royalty-free, nonexclusive and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use for Federal Government purposes" copyrightable work produced with Federal funds.

The FHWA does not interpret its rights in copyright to include the authority to distribute software or other copyrightable products outside of the Agency. With regard to the ITS program, the Intermodal Surface Transportation Efficiency Act (ISTEA) mandates that one of the goals of the program is to "promote an intelligent transportation system industry." (Pub. L. No. 102-240, 105 Stat. 1914.) The FHWA's use of its license in any copyrightable work outside of its immediate needs would diminish the market for industry and would be contradictory to the broad mandate provided in the ISTEA.

FHWA's Rights in Inventions Developed with Federal Assistance

The Government's policy governing rights to inventions created in the course of a Federal funding agreement (including an ITS MDI Partnership Agreement) is set forth in 37 CFR Part 401. The standard patent rights clause of this provision at § 401.14(b) provides contractors with title to patents made with Federal assistance in exchange for royalty-free use by the Federal Government. The standard patent rights clause also requires recipients of Federal assistance (in this case, the Maricopa County Department of Transportation) to include this provision in all contracts, subcontracts and subgrants for experimental, developmental or research work.

The FHWA construes the scope of its license to include (1) use for research and development and support services performed under an FHWA procurement contract and (2) use of the subject invention on a federally-owned road (e.g., national forest, parks, and Indian reservations).

The FHWA does not construe the scope of its license to include sublicensing the technology to a state or local government, bridge, tunnel or turnpike authority, or private entity for uses unrelated to the two described above.

Conclusion

The FHWA's objectives in this project are to test, evaluate and demonstrate ITS deployment in a metropolitan area featuring fully integrated transportation management systems and strong regional traveler information services provided by a vigorous public-private partnership. The reason behind the FHWA retaining rights in copyright and inventions made with Federal assistance is to ensure that the Agency's minimum needs are adequately met, leaving contractors with the rights to generate private sector investment and develop commercial applications in the copyrightable work or patentable invention.

I trust that this information will resolve the intellectual property rights question that the Etak Corporation has raised with the Maricopa County Department of Transportation. If you would like to discuss this issue further, please contact me at 202-366-0780 or Beverly Russell, Attorney-Advisor at 202-366-1355.

Sincerely yours,

Wilbert Baccus
Associate Chief Counsel for General Law

For further information, contact:

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Suite 17T26 – HRC-SO
Atlanta, GA 30303-3104
Telephone 404-562-3570

Midwestern Resource Center

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Olympia Fields, IL 60461-1021
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Western Resource Center

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“Discussions over the allocation of intellectual property rights, among other contractual provisions, extended negotiations.... Of particular concern was the ownership and control of pre-developed software that was brought to the project as match by private partners and then was developed further in the course of the project.... Once [the two licensing agreements were written and] the contracts were signed, project participants were able to focus on the project and move forward rapidly.”

—Pierre Pretorius, former AZTech Program Manager

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